

Message Text

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ACTION EA-14

INFO OCT-01 EA-11 ISO-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SP-03 CIEP-02 LAB-06 SIL-01 OMB-01 INT-08 MMS-03 SS-20

PER-05 ABF-01 DRC-01 /126 W

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R 310943Z MAY 74

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 2605

UNCLAS JAKARTA 6713

E.O. 11652: N/A

TAGS: AFSP, ID

SUBJECT: FY 76 COMMERCIAL BUDGET

REF: STAE 06131

1. DRAMATIC BOOST IN INDONESIA'S FOREIGN EXCHANGE
EARNINGS RESULTING PRIMARILY FROM OIL PRICE HIKES HAS
LED TO VASTLY INCREASED U.S. EXPORT OPPORTUNITIES IN
THIS EMERGENT MARKET. INDONESIA'S TOTAL NON-OIL IMPORTS
HAVE INCREASED BY ABOUT 80 PERCENT IN FY 74, AND SHOULD GROW
BY ANOTHER 45 PERCENT IN FY 75 TO REACH \$3.8 BILLION. IMPORTS
FROM U.S. INCREASED 43 PERCENT IN CY 73 TO RECORD \$441 MILLION.
NEW POTENTIAL WAS UNDERLINED BY SUCCESS OF USAQUIP 74,
WHICH GREATLY EXCEEDED EXPECTATIONS IN RINGING UP \$51
MILLION IN ACTUAL AND PROJECTED SALES OF HEAVY EQUIP-
MENT. STILL MORE OPPORTUNITIES FOR U.S. INVESTMENT
AS WELL AS EXPORTS OF GOODS AND SERVICES WILL FLOW FROM SECOND
FIVE YEAR DEVELOPMENT PROGRAM (1974-78), WHICH CONTEMPLATES
MAJOR BUT STILL UNDEFINED INVESTMENTS IN TRANSPORTATION,
TELECOMMUNICATIONS, OIL-RELATED PROJECTS, PETROCHEMICALS,
WOOD PROCESSING, SUGAR, HOUSING, ELECTRIC POWER, ETC.

2. TO TAKE FULLEST ADVANTAGE THESE OPPORTUNITIES AND MAXIMIZE
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RECAPTURE PETRODOLLARS, STATE/COMMERCE HAVE JUST DESIGNATED

INDONESIA'S COUNTRY COMMERCIAL PROGRAM COUNTRY MISSION-WASHINGTON DIALOGUE HAS BEGUN WITH VIEW TO WORKING UP AGGRESSIVE, OUTREACHING PROGRAM BUILT AROUND MAJOR-PROJECT STRATEGY.

3. OVER PAST YEAR E/CM SECTION HAS CRITICALLY REVIEWED OPERATIONS, CUTTING MARGINAL SERVICES TO PERMIT INCREASED ATTENTION TO HIGHER PAYOFF ACTIVITIES, (ESPECIALLY MAJOR PROJECTS) AND CONTRACTING OUT OTHER SERVICES ON SELF-SUPPORTING BASIS. CCP OBJECTIVE TARGET MAJOR PROJECT ACTIVITY TO PURSUE SOME DOZEN MAJOR PROJECTS AND SECTOR DEVELOPMENTS EACH INVOLVING ON AVERAGE HUNDREDS OF MILLIONS OF DOLLARS OF EXPORT OPPORTUNITIES MOSTLY REPRESENTING NET EXPANSION OVER FY 1973. RATHER THAN PROVIDE DETAILED JUSTIFICATION EXISTING POSITIONS REQUESTED REFTEL PARA 2, EMBASSY PREFERS TO BASE JUSTIFICATION OF FACT THAT WITH EXISTING STAFF PLUS ONE FSL REACEMENT POSITION AND ONE NEW FSL POSITION, SUPPORTED BY ADDITIONAL CONTRACT AND OTHER FUNDS REQUESTED, EMBASSY UNDERTAKING MAJOR EXPANSION OF TRADE PROMOTION PROGRAMS AIMED AT RECAPTURING MAJOR PORTION OF PROJECTED \$700 MILLION DEFICIT U.S. TRADE BALANCE WITH INDONESIA IN FY 75. TOTAL EXPANDED EXPORT RETURN WE EXPECT FROM THESE BUDGET INCREASES OF ROUGHLY \$100,000 (ABOUT ONE SIXTH OF WHAT AUSTRALIAN GOVERNMENT SPENT ON ONE MAJOR EXHIBIT IN JAKARTA THIS YEAR) THOROUGHLY JUSTIFY REQUESTS MADE.

4. HEIGHTENED INTEREST BY U.S. BUSINESS IN INDONESIA, WHERE PUBLIC SOURCES OF INFORMATION VERY POOR, IS RESULTING IN GROWING COMMERCIAL WORKLOADS. THE FOLLOWING ESTIMATES ARE FOR THE CURRENT FISCAL YEAR. EXCEPT FOR WTDR'S AND ADS, WHICH SHOULD DECLINE AS RESULT INCREASED FEES, WE HAVE EXPERIENCED AND EXPECT MINIMUM 10-15 PERCENT AVERAGE ANNUAL INCREASES IN THESE FIGURES.

WTDR	400
ADS	75
TRADE INQUIRIES	500
BUSINESS VISITORS	3000
COMMERCIAL LIBRARY VISITORS	2000
TELEPHONE INQUIRIES	10000
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5. FIRST OF SECTION'S TWO MOST PRESSING BUDGETARY NEEDS IS FOR CONTINUATION FSL WHO BEING TERMINATED AT END CURRENT FY. (EMBASSY BUDGETED FOR THIS POSITION IN FY 75 BUT POSITION DENIED BY OMB.) ON JUNE 30, 1974, USAID WILL TERMINATE FUNDING OF THIS FSL WHO HAS BEEN SECONDED TO EMBASSY SINCE 1970 TO PERFORM ESSENTIAL TAKS IN CONNECTION INVESTMENT GUARANTEE PROGRAM --

FORMERLY UNDER AID, SINCE 1971 UNDER OPIC. VOLUME AND IMPORTANCE OF OPIC WORK HAS CONTINUED AT 1971 LEVEL. IN ADDITION THIS FSL HAS MAINTAINED DAILY WATCH ON WORK OF FOEIGN INVESTMENT BOARD AND EACH QUARTER PREPARED AN EXTENSIVE AND VITAL REPORT ON FOREIGN AND DOMESTIC INVESTMENTS IN INDONESIA. HE HAS ALSO PERFORMED IMPORTANT TRANSLATIONS, CONTACTS WITH GOI OFFICIALS, AND OTHER FUNCTIONS. A CARDINAL OBJECTIVE OF EMBASSY'S PROPOSED CCP ENTAILS SHIFTING MORE OF COMMERCIAL SERVICES WORKLOAD TO FSL STAFF. IT WILL BE DIFFICULT OR IMPOSSIBLE TO MEET THIS AND OTHER OBJECTIVES IF OUR FSL STAFF IS REDUCED. QUESTIONS CONCERNING RESPONSIBILITY FOR FUNDING THE USAID-SUPPORTED POSITION WERE RAISED IN JAKARTA'S 4602, TO WHICH THE DEPARTMENT HAS NOT YET REPLIED. FUNDS MUST BE FOUND IF THE SECTION IS NOT BE SERIOUSLY HAMPERED IN ITS WORK.

6. SECOND AND EQUALLY PRESSING NEED IS FOR ADDITIONAL FSS SECRETARIAL POSITION. THERE ARE EIGHT AMERICAN OFFICERS AND THREE FSS SECRETARIES IN THE SECTION, PLUS ONE TCN RECEPTIONIST-TYPIST. COMMUNICATIONS IN JAKARTA ARE NOTORIOUSLY POOR AND TIME-CONSUMING. BECAUSE OF REPEATED INTERRUPTIONS FROM THE GREAT AND GROWING NUMBER OF VISITORS AND TELEPHONE CALLS (PARA 3 ABOVE), THE SECTION HAS BEEN UNABLE TO PERFORM ALL ITS OFFICE AND SECRETARIAL FUNCTIONS WITHOUT SUBSTANTIAL OVERTIME. THE EXISTING SITUATION, WHICH ALLOWS PRACTICALLY NO LEEWAY FOR ABSENCES, IS WORSENING BECAUSE OF INCREASING WORKLOADS AND WILL BE CRITICAL BY FY 76.

7. FOLLOWING ARE ESTIMATES REQUESTED PARA 4 REFTEL. THEY COVER ALL SECTIONS OF EMBASSY AND INCLUDE PRORATED PORTIONS OF MULTIPURPOSE ACTIVITIES. FY 75 AND 76
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ESTIMATES ARE CONSERVATIVE. THEY INCLUDE 5 PERCENT INCREASE IN EAL ACTIVITY AND 20 PERCENT FOR PRICE INFLATION (CURRENT LOCAL INFLATION RATE IS 50 PERCENT; 20 PERCENT IS ANNOUNCED TARGET OF GOI STABILIZATION EFFORTS). "CONTRACT SERVIDES" FIGURE INCLUDES \$5,000 FOR WTDRS, \$10,500 FOR 6-8 BRIEF MARKET SURVEYS, AND \$10,000 FOR ONE MAJOR MARKET RESEARCH PROJECT. SECTION NOW CONTRACTS OUT ABOUT \$1,500 OF WORK PER YEAR ON SELF-SUPPORTING BASIS; THIS (WHICH WILL INCREASE) IS NOT SHOWN. NEWSLETTER, WHICH BADLY NEEDED, WOULD BE CONTRACTED OUT.

FY 74 FY 75 FY 76

REPRESENTATION \$1,750 \$2,187 \$2,737

LIBRARY \$5,111 \$6,389 \$7,986

TRAVEL \$1,272 \$1,590 2,500#

CONTRACT SERVICES -- -- \$25,500

NEWSLETTER -- -- \$2,400

#PURSUIT MAJOR PROJECT OPPORTUNITES REQUIRES SUBSTANTIAL TRAVEL
BUDGET INCREASE SINCE INFORMATION ON OPPORTUNITES FREQUENTLY
OBTAINABLE ONLY AT REMOTE PROJECT SITES.

NEWSOM

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